

**FAR EASTONE**

**遠傳**

**4904 (TWSE)**

**2005 Full Year Result  
Investor Update**

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*March 8, 2006*

**FAR EASTONE**

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## Agenda

- ▶ **I. 2005 Recap and Financial Performance**
- II. Market Outlook and Strategic positioning**
- III. 2006 Q1 Outlook**
- IV. Management Highlights**

## 2005 Recap What Have FET Done in 2005

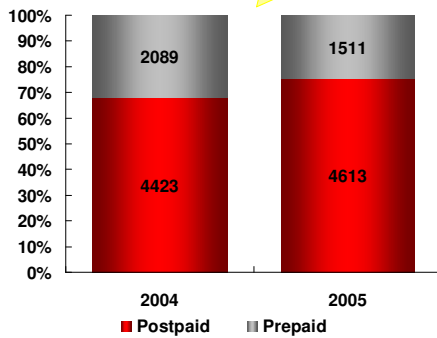
- ✓ **Arcoa Acquisition**
- ✓ **Prepaid Clamp Down**
- ✓ **Convergent Billing Project**
- ✓ **3G Launch**
- ✓ **Main Board Listing**
- ✓ **Mobile Number Portability**
- ✓ **2005 Cash Dividend: \$3.1 (Yield: 7.9%\*\*)**

\*\*Note: Dividend yield was based on stock price dividend announced date of March 3, 2006.

## Subscriber Development Continue to improve subscriber mix

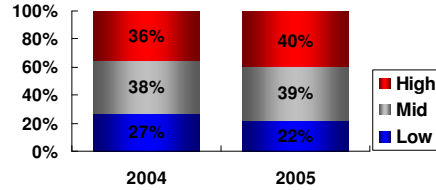
### Prepaid / Postpaid Subs Mix

FET managed to shift its customer mix from pre-paid to postpaid. Post-paid ratio from **68% to 75%**

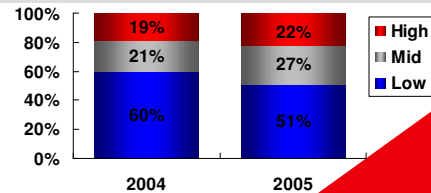


### Monthly Billing Amount Mix

From billing and rate plan perspectives, FET also has improved **higher mix** in high value segments compared to 2004



### Rate Plan Mix



Source: Company source; the mix of low refers to <=\$350, mid refers to \$351-\$700 and high refers to >\$700

## Data Performance 2005 Data Market Status

### 2005 Data Revenue Share

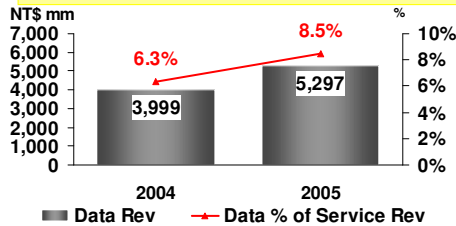
#3: CHT: 26.6%  
#2: TWM: 28.9%



#1: FET dominates  
44.5% of data rev mkt share

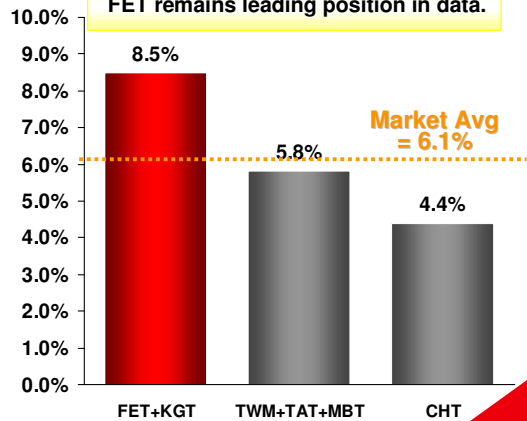
### FET YoY Data Growth

FET Data Rev YoY ↑ **32.4%** vs. market ↑ 30.2%



### 2005 Data % of Service Revenue

FET remains leading position in data.



Source: Operators' factsheets or company source as of Jan'05

## Fully Consolidated Financial 2005 Full Year Result by New Consolidated Entities<sup>(1)</sup>

Item Unit: NT\$ million, except for margins	FET+KGT	Arcoa <sup>(3)</sup>	KGEx	Others	Consolidated
■ Total Revenue	67,411	4,896	831	214	71,912
■ Service Revenue	62,470	1,292	831	214	63,531
■ EBITDA	31,468	-28	34	78	31,604
■ Service EBITDA Margin %	52.1%	- 28.8%	4.1%	36.7%	50.9%
■ Pre-tax Income	17,918 <sup>(2)</sup>	- 96	- 146	181	17,857
■ Net Income	14,717	- 96	- 146	242	14,717

Source: Company data

Note: (1) Based on the new regulation, starting from 2005, the consolidated entities add Arcoa, KGEx.com, KGT International Holdings, E. Word (Holdings) Ltd, Far Eastern Info Service (Holding) Ltd,  
(2) Not including investment gain/ loss of all subsidiaries  
(3) Arcoa's number was for the period of Feb to Dec 2005

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## Fully Consolidated Financial 2005 Full Year Financial Stats<sup>(1)</sup>

(NT\$ mm unless otherwise stated)	2005 Q1	2005 Q2	2005 Q3	2005 Q4
Cash & Cash Equivalents	9,910	12,593	833	4,640
Total Borrowing	18,227	17,190	12,715	9,621
Net Debt	8,317	4,597	11,882	4,981
Shareholders' Equity	75,422	67,414	71,110	74,223
Debt/Capitalization <sup>(2)</sup> Ratio				
— Gross (%)	19.5%	20.3%	15.2%	11.5%
— Net (%)	8.9%	5.4%	14.2%	5.9%
Free Cashflows – YTD <sup>(3)</sup>	6,838	12,245	16,319	23,339
Pre-tax EPS	\$1.20 <sup>(4)</sup>	\$2.47 <sup>(4)</sup>	\$3.66 <sup>(4)</sup>	\$4.63 <sup>(4)</sup>
EPS(NT\$)	\$0.98 <sup>(4)</sup>	\$2.02 <sup>(4)</sup>	\$2.99 <sup>(4)</sup>	\$3.80 <sup>(4)</sup>
ROA	13.9%	14.5%	14.6%	12.7%
ROE	20.9%	22.4%	21.9%	17.2%

Source: Company financials

(1) 2005 1-4Q figures are based on audited numbers and fully consolidated entities including Arcoa, KGEx.com, KGT International Holdings, E. Word (Holdings) Ltd, Far Eastern Info Service (Holding) Ltd...etc.

(2) Capitalization = shareholders' equity + total debt.

(3) Free Cashflows = Operating Cash flow – Capex

(4) EPS calculated by current outstanding shares of 3,872,663K.

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## Fully Consolidated Financial Achievement 2005 Result vs. 2005 Forecast

Item Unit: NT\$ Million, except for EPS	2005 <sup>(1)</sup>	2005 Forecast	Achievement %
■ Total Revenue	71,912	68,781	104.6%
■ Service Revenue	63,531	64,268	98.9%
■ EBITDA	31,604	32,282	97.9%
■ Service EBITDA Margin %	50.9%	50.0%	above 50%+
■ Pre-tax Income	17,857	17,484	102.1%
■ Net Income	14,717	14,695	100.1%
■ Pre-tax EPS <sup>(2)</sup>	<u>\$4.63</u>	<u>\$4.55</u>	
■ EPS <sup>(2)</sup>	<u>\$3.80</u>	<u>\$3.79</u>	

Source: 2005 Audited financial report  
(1) EPS based on current outstanding shares of 3,872,663,049.

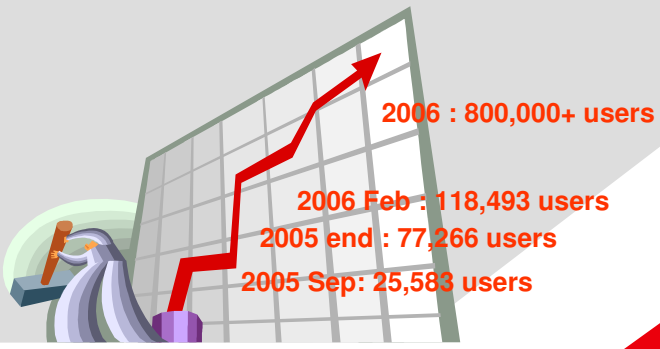
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## 3G Update

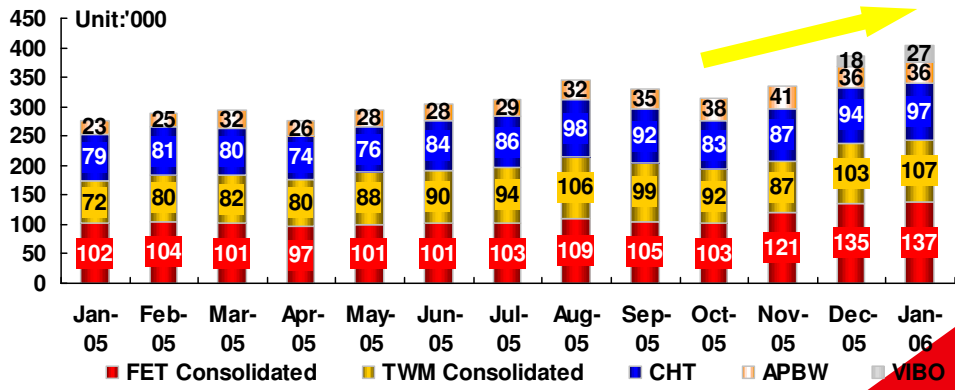
- Satisfactory Coverage
- Competitive Tariff
- Compelling Services
- Trendy Handset
- Attractive Promotion
- Effective Communication

- ✓ FET, TWM, CHT all launched in Q3'05 and VIBO launched Dec'05
- ✓ Operators pushing for 3G SIM alone program
- ✓ Total 3G Subscriber in the market : 634K
- ✓ Total # of Handsets sold in the market: 105K (16.6%)
- ✓ FET 3G ARPU over \$1,300 (30% higher than current 2G ARPU)
- ✓ FET 3G data 16% vs. current 2G data 8.5%



## Gross Adds Market Increasing Postpaid GA Market

- ▶ Operator promotion offers driving up the market since Nov 05. +20% increase in gross adds.
- ▶ FET continues to lead the GA market with 33% share, followed by TWM (27%) & CHT (24%)



## 2006 Strategic Positioning

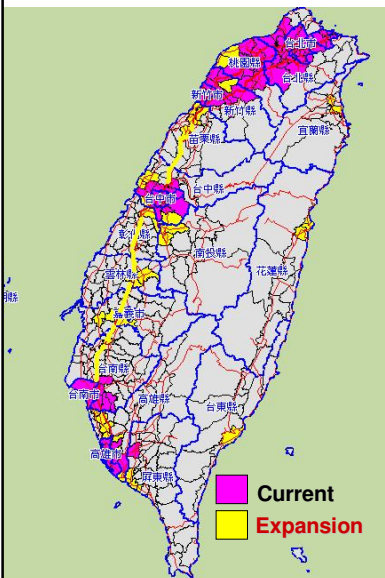
- ▶ With the convergence of services in the media and telecom industry, FET expands its scope and vision to become -----

**A Leading Full Service Provider for  
Electronic Communication,  
Information,  
Entertainment, and  
Transaction**

- ▶ FET continues having its technical base in wireless but do not exclude **possibility to provide services over alternative access technologies.**
- ▶ FET will develop controlling interest along the **entire value chain** from, but not including, content production to end user.

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## 3G 2006 Strategy



- ▶ Do not expect 3G be a rapid uptake, thus apply a **practical roll-out plan**
- ▶ Focus on **3G service development**, rather than 3G network coverage development
- ▶ 3G island **coverage priorities** from now
  1. **In-building, university/college campus, military sites**
  2. **Highways & suburban cities, core expansion**
  3. **East coast coverage**
- ▶ **IMS platform**
- ▶ Start **HSDPA Trial**

Target	Current	Y2006 (900)
Site counts	2,730	3,630
Population coverage	62.8%	75.7%
Traffic percentage	73.8%	85.1%

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## 2006 Q1 Consolidated Financial Forecast 2006 Q1 Forecast vs. 2005 Q1 Actual

Item Unit: NT\$ Million, except for EPS	2006 Q1 Forecast	2005 Q1 Actual <sup>(1)</sup>	YoY %
■ Total Revenue	17,981	17,426	+ 3.2%
■ Service Revenue	15,848	15,371	+ 3.1%
■ EBITDA	7,441	7,875	- 5.5%
■ Service EBITDA Margin %	48.4%	52.0%	
■ Pre-tax Income	4,108	4,629	- 11.2%
■ EPS <sup>(2)</sup>	<u>\$0.85</u>	<u>\$0.98</u>	- 13.3%

Source: 2005 Audited financial report. Based on the new regulation, starting from 2005, the consolidated entities add Arcoa, KGEx.com, KGT International Holdings, E. Word (Holdings) Ltd, Far Eastern Info Service (Holding) Ltd...etc.

(1) Consolidated entity Arcoa's number only for the period of Feb to Mar 2005

(2) EPS based on current outstanding shares of 3,872,663,049



## Outlook 2006 Business Outlook

- ▶ Revenue expect to rise slightly above economic growth, considering risks are:
  - ✓ Competitors continues aggressive market moves;
  - ✓ Fixed line incoming minutes and ILD usage drops due to VoIP and fixed line competition;
  - ✓ Government pressure in lower pricing
- ▶ Data Revenue expect to increase **40% YoY**
- ▶ Profitability expect to be stable
- ▶ Capex in 2006 : **10-12% of Service Revenue**

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## Management Highlights Summary

- ▶ Continue to Focus on Taiwan and **Expand Business Scope along the Entire Value Chain** excluding Content Production
- ▶ Move FET towards being an **Iconic Brand**
- ▶ Continue to **Grow Controllability in Distribution Channel while Widening the Product Portfolio** in Stores to Preempt the Convergent Trend on Products & Services
- ▶ Be a **Leading Full Service Provider** for Electronic Communication, Information, Entertainment and Transaction at Different Places in Consumer's Daily Life
- ▶ Base on Core Technology in Wireless but Open to Alternative Access Technologies to Provide Convergent Services
- ▶ Maintain Profitability & **Dividend Payout at +80%**  
→2005 Cash Dividend: NT\$3.1 (Payout at 82%)
- ▶ Planning to Establish **Audit Committee** for Pursuing Excellent Corporate Governance

## Q & A

### For Further Information:

Websites	Email
<a href="http://www.fareastone.com.tw">http://www.fareastone.com.tw</a> <a href="http://www.fetnet.net">http://www.fetnet.net</a>	Investor Relations <a href="mailto:IR@fareastone.com.tw">IR@fareastone.com.tw</a>